

Future Soviet Economic Growth in

The Light of the Mid-Year Plan Fulfillment Report

1. The paragraphs concerning future Soviet economic growth contained in the address by Mr. Allen W. Dulles to the Edison Electric Institute, given at New Orleans on 8 April 1959, are the following:

"Khrushchev forecasts that our future industrial growth will be only two percent a year. If this is true, the United States will be virtually committing economic suicide. This prediction I regard as unrealistic."

"A saner projection would place 1965 Soviet industrial production at about 55 percent of our own."
(paras 2 and 3, page 12)

2. As can be seen, these comments are somewhat at variance with the interpretation which Senator Symington placed on them during his appearance on, "Face the Nation."

3. The report of Soviet economic plan fulfillment for the first six months of 1959 indicates good progress toward achievement of the Seven-Year Plan (1959-65) goals. The article in the New York Herald Tribune, which appeared on 15 July, is a summary of the report which was released by TASS, the official Soviet news agency. Total industrial production was claimed to be 12 percent over the first half of 1958, which if sustained through 1965, would result in substantially overfulfilling the Seven-Year Plan.

4. The industrial production index compiled by the Central Statistical Board of the Council of Ministers is a "gross value of output" index. Because it includes the total value of output at all stages of production, there is extensive double counting, which tends to overstate the contribution of the faster growing industries. Our past studies of this index lead us to conclude that it should be revised downward if it is to be compared with the Federal Reserve Board index. The FRB index is of the "value added" type, which nets out all double counting. We estimate that Soviet industrial production, computed on the FRB basis, would show an increase of about 10 percent in the first half of 1959 over the comparable period of 1958, not 12 percent as officially claimed. However, an annual increase of 10 percent is a

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very rapid rate of growth. For the seven years through 1957, U.S. industrial growth was at an annual rate of 3.6 percent.

4. In Mr. Dulles' New Orleans speech, the rate of Soviet growth implied in the statement that USSR industrial output would reach 55 percent of our own by 1965 was 8.5 percent a year. If the Soviets succeed in sustaining their industrial advances at 10 percent annually, then they could reach 55 percent of U.S. output a few years earlier than 1965. Much, of course, depends on the future rate of our own growth.